

Financial and affordability underwriting guidelines

All cases are subject to an underwriter’s discretion and affordability review.

PERSONAL FINANCIAL STATEMENT (NB2012P) REQUIREMENTS

Ages 0-64¹ \$3,000,001 and greater
 Ages 65 and up All face amounts

BUSINESS FINANCIAL STATEMENT (NB2012B) REQUIREMENTS

- Required for any type of business insurance at \$3,000,001 and greater.
- May be requested by underwriter for smaller face amounts.

THIRD-PARTY FINANCIAL VALIDATION REQUIREMENTS

Ages 0-64¹ \$10,000,001 and greater
 Ages 65 and up \$5,000,001 and greater

Supporting documentation will differ depending on the asset and should be based on the primary source of the client’s wealth. See chart below. This list is not all-inclusive, but does provide examples of the types of proofs that will be required.

Type of asset	Examples of supporting third-party documentation
Earned income	Copies of tax returns, W2s, 1099s
Cash and CDs	Current bank/CD statements, tax returns
Equities (stocks and bonds, 401(k), IRAs, or other qualified monies)	Current brokerage/account statements, tax returns
Real estate – provide listing of properties held including addresses and percentage of ownership	Current property tax statements/assessments, appraisals, title to property for proof of ownership if not on property tax statement, tax returns
Rare/valuable collection(s)	Copy of insurance policy identifying the collection and covering same, or independent formal appraisal proving ownership and value
Business interests	Copies of tax returns along with audited corporate financials, e.g., balance sheet and income statements, 10-Ks, articles of organization/incorporation proving ownership
Liquid assets	Cash, stocks, bonds, securities, life Insurance cash value, 401(k), IRA or SEP, annuities



¹For ages 0-17, this requirement would be for the premium payor.

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 Product and feature availability may vary by state and broker/dealer.

AFFORDABILITY GUIDELINES

All cases are reviewed for a needs-based selling approach, and premiums should be within our affordability guidelines. The company's premium affordability guidelines are intended to ensure that the premium payments are consistent with the client's financial circumstances, taking into account the client's income, net worth, and liquidity. For individuals with higher levels of income or net worth, a larger percentage is generally allowed to be used for life insurance premium than for those at the lower end of the income/net worth scale. As a general guideline, we use the following parameters:

For premium payments from income:				
Income	< = \$75,000 ^{1,2}	\$75,001-\$149,999	\$150,000-\$199,999	\$200,000 +
Maximum total planned premium allowed ²	10%-20% (plus minimum premium requirement)	15%-30%	25%-40%	Underwriter discretion

¹ Minimum income when paying from income: \$50,000 with allowance to 10% of income.

² For incomes of \$75,000 or less, the annual minimum premium required on the client's policy may not exceed 10% of their annual income.

For premium payments from net worth (calculated on net worth, applied to liquid assets):					
Net worth	\$100,000 ³	\$100,001-\$500,000	\$500,001-\$1,499,999	\$1,500,000-\$1,999,999	\$2,000,000+
Percentage of liquid assets allowed for total planned premium	10%	20%	30%	40%	Underwriter discretion

³ Minimum net worth when source of premium is liquid assets is \$100,000 with allowance to 10% of liquid.

For premium payments from net worth (calculated on net worth):	
Net worth	\$2,000,000 +
Percentage of net worth allowed for total planned premium	Underwriter discretion

For premium payments from windfall:	
Percentage of net worth allowed for total planned premium	30-50%

To expedite the affordability review, we require an illustration when the client is 65 or older. When the sole purpose is retirement planning, this illustration must include distributions.

These premium percentages are guidelines, and there is some degree of interrelatedness between income and net worth. A detailed cover letter is always appreciated, and including one makes the underwriting process go smoother. Items that are helpful to include on a cover letter include the following:

- What was the need and purpose for the life insurance?
- How was face amount determined?
- What is the source of the premium and funding pattern?

(An illustration can help here.)

- How is this sale in the client's best interest (i.e., how does it meet their financial objectives)?
- Is a third-party advisor other than yourself involved?
- Statements indicating:
 - This sale has been discussed in detail with the client
 - The client supports this higher premium and desires to move forward with the purchase of this life insurance
 - The client acknowledges that they have sufficient resources available for their other expenses and/or emergencies in addition to the premium

DEATH BENEFIT GUIDELINES

Purpose	Amount guidelines	Additional guidelines
Personal needs multiplier	<p>Age bracket:</p> <ul style="list-style-type: none"> • 18-35 • 36-60 • 61-65 • 66-70 • 71 and up <p>Earned income factor:</p> <ul style="list-style-type: none"> 35x Subtract current age from 70 for your multiplier, minimum of 12x 10x 5x Individual consideration <p>Annual income multiplied by earned income factor = personal needs</p>	<ul style="list-style-type: none"> • Average annual bonuses and average share of business dividends may be included in the multiplier. • Generally, passive income (such as pension dividends, interest royalties, lottery winnings, capital gains, and rental income) should not be considered in the multiplier. • They may, however, be considered with other assets to assess total needs.
Estate preservation	<p>Growth projections allowed. Growth percentage will vary; typically 5%-8% is allowed.</p> <p>Allow up to 55% of projected net worth based on the following:</p> <ul style="list-style-type: none"> • Up to age 40 20 years of growth • Ages 41-60 15 years • Ages 61-70 10 years • Over 70 Up to 75% of life expectancy 	<ul style="list-style-type: none"> • Include a cover letter outlining the estate planning needs. • If assets are growing at a rate greater than the typical 5%-8% allowed, provide valid documentation for possible individual consideration.
Secondary wage-earner/nonemployed spouse	<ul style="list-style-type: none"> • If primary wage-earner has \$2,000,000 currently inforce, allow up to 100% match. • If primary wage-earner has \$2,000,001-\$5,000,000 currently inforce, allow up to \$2,000,000 or 50% (whichever is more) with a maximum of \$2,500,000. • If primary wage-earner has >\$5,000,000 currently inforce, allow up to 50% with a maximum of \$5,000,000. 	<ul style="list-style-type: none"> • Include the amount of life insurance currently inforce on the primary wage-earner.
Wealth transfer	<ul style="list-style-type: none"> • Allow a specific portion (based on affordability) of the client's assets to be repositioned to purchase life insurance at a minimum face/maximum accumulation. 	<ul style="list-style-type: none"> • Provide a cover letter outlining how the death benefit amount was determined, including details of how the income and/or assets will be used to fund the life insurance purchase. • Clearly explain any tax implications of implementing (or not implementing) this insurance recommendation.
Charitable giving	<ul style="list-style-type: none"> • Average contributions for the past three years multiplied by 10 or use average annual contribution as the annual planned premium. 	<ul style="list-style-type: none"> • Must have an established pattern of giving; records of past contributions may be requested. • Personal needs should be met by other assets. • Provide a cover letter explaining the relationship between the applicant and the charity.
Juvenile coverage	<ul style="list-style-type: none"> • Ages 0-17: allow up to half of the parent's combined death benefit up to \$1,000,000 on a child. • For face amounts greater than \$1,000,000, both parents should be insured and the need for this coverage on their child(ren) should be explained in a detailed cover letter and based on household financials. • Amounts may be limited based on state insurance legislation guidelines. 	<ul style="list-style-type: none"> • Provide a cover letter outlining amount of coverage inforce or applied for on each parent, even when this coverage is being purchased by grandparents. • Include amounts applied for and inforce on all siblings. All siblings should be insured for equitable amounts (defined as same or similar death benefits or same premium amount). • Agent must see each child personally. • Proposed insureds aged 15 and up need to sign the worksheet application. • Parents or legal guardians need to sign the application for minor children. • Secure the payor's income and net worth.

ADDITIONAL GUIDELINES (CONTINUED)

Purpose	Amount guidelines	Additional guidelines
Creditor/personal	<ul style="list-style-type: none"> • Up to 100% of the loan amount • Minimum term should be five years. 	<ul style="list-style-type: none"> • Loan documents may be required. • Provide a cover letter with details as to the amount and terms of the loan. • Is the loan pending or approved?
Retirement planning	<ul style="list-style-type: none"> • Up to the personal needs multiplier or wealth transfer depending on the individual's circumstances. 	<ul style="list-style-type: none"> • Should be a need for the death benefit. • To expedite the affordability review, we require an illustration when the client is 65 or older. When the sole purpose is retirement planning, this illustration must include distributions.
Executive bonus or nonqualified deferred compensation (NQDC)	<ul style="list-style-type: none"> • Based on personal needs. See personal needs multiplier. 	<ul style="list-style-type: none"> • Secure the salary average (including bonus if paid annually) for the last two years. • May require a copy of the deferred compensation agreement or executive bonus plan.
Key person	<ul style="list-style-type: none"> • Typically 5-10 x income. Greater or smaller death benefit amounts may be warranted, based on the case details. 	<ul style="list-style-type: none"> • A cover letter should accompany all cases, especially new corporations, highlighting the individual's talents, education, and experience. • Identify what losses the company will experience without this key individual. • Provide list of names of all key persons with their positions in the company; for each, provide amounts of insurance inforce (and applied for) with all companies.
Business continuation	<ul style="list-style-type: none"> • Death benefits should be calculated by percent of ownership multiplied by fair market value. 	<ul style="list-style-type: none"> • May require third-party validation of business financials and, depending on payor, may require validation of personal earned income. • List names of all owners and their positions in the company; for each, provide amount of insurance inforce (and applied for) with all insurance companies.
Creditor/business loan	<ul style="list-style-type: none"> • Minimum loan term should be five years. 	<ul style="list-style-type: none"> • May require third-party validation of business financials. • A copy of the loan agreement is required. • Provide a cover letter with details as to the amount and terms of the loan.
Trust	<ul style="list-style-type: none"> • Personal need guidelines apply. 	<ul style="list-style-type: none"> • If owner is a trust, a Trust Certification form (NB2290) is required. • A copy of the signed, dated, and notarized trust agreement may be requested depending on individual circumstances. • Additional third party requirements from trusts, such as supporting documentation for trust assets.



Some cases may fall outside of our guidelines and merit special consideration. If you have a case you would like to discuss, please call the Life Case Design Team at 800.950.7372.

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